# QUARTERLY REPORT

TRADING NAME OF LICENSEE:

Marina District Development Company, LLC and Subsidiary
(Borgata Hotel Casino & Spa)

For The Quarter Ended December 31, 2004

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

(UNAUDITED)
($ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | | 2004 (c) | 2003 (d) |
|---|---|---|---|---|
| | ASSETS | | | |
| | Current Assets: | | | |
| 1 | Cash and Cash Equivalents | | $ 37,567 | $ 25,001 |
| 2 | Short-Term Investments | | - | - |
| | Receivables and Patrons' Checks (Net of Allowance for | | | |
| 3 | Doubtful Accounts - 2004, $7,081; 2003, $2,561) | Note 3,10 | 47,248 | 17,554 |
| 4 | Inventories | | 2,986 | 2,221 |
| 5 | Prepaid Expenses and Other Current Assets | | 5,487 | 4,776 |
| 6 | Total Current Assets | | 93,288 | 49,552 |
| 7 | Investments, Advances, and Receivables | | 2,699 | 2,699 |
| 8 | Property and Equipment - Gross | | 1,040,974 | 1,021,626 |
| 9 | Less: Accumulated Depreciation and Amortization | | (79,237) | (28,368) |
| 10 | Property and Equipment - Net | Note 4 | 961,737 | 993,258 |
| 11 | Other Assets | | 11,862 | 19,428 |
| 12 | Total Assets | | $ 1,069,586 | $ 1,064,937 |
| | LIABILITIES AND EQUITY | | | |
| | Current Liabilities: | | | |
| 13 | Accounts Payable | | $ 8,779 | $ 6,682 |
| 14 | Notes Payable | | - | - |
| | Current Portion of Long-Term Debt: | | | |
| 15 | Due to Affiliates | | - | - |
| 16 | Other | Note 8 | 2,000 | 50,625 |
| 17 | Income Taxes Payable and Accrued | | 2,219 | 312 |
| 18 | Other Accrued Expenses | Note 5,11 | 52,729 | 37,229 |
| 19 | Other Current Liabilities | Note 6,7 | 10,730 | 11,910 |
| 20 | Total Current Liabilities | | 76,457 | 106,758 |
| | Long-Term Debt: | | | |
| 21 | Due to Affiliates | | - | - |
| 22 | Other | Note 8 | 423,600 | 555,531 |
| 23 | Deferred Credits | | 265 | - |
| 24 | Other Liabilities | Note 9 | 9,523 | 16,466 |
| 25 | Commitments and Contingencies | | | |
| 26 | Total Liabilities | | 509,845 | 678,755 |
| 27 | Stockholders', Partners', or Proprietor's Equity | Note 2 | 559,741 | 386,182 |
| 28 | Total Liabilities and Equity | | $ 1,069,586 | $ 1,064,937 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
($ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2004 (c) | 2003 (d) |
|---|---|---|---|
| | Revenue: | | |
| 1 | Casino | $ 623,400 | $ 258,270 |
| 2 | Rooms | 85,166 | 39,285 |
| 3 | Food and Beverage | 119,946 | 52,519 |
| 4 | Other | 23,769 | 9,874 |
| 5 | Total Revenue | 852,281 | 359,948 |
| 6 | Less: Promotional Allowances ... Note 1 | 175,862 | 68,445 |
| 7 | Net Revenue | 676,419 | 291,503 |
| | Costs and Expenses: | | |
| 8 | Cost of Goods and Services ... Note 1 | 363,475 | 134,943 |
| 9 | Selling, General, and Administrative ... Note 7, 11 | 84,454 | 86,259 |
| 10 | Provision for Doubtful Accounts ... Note 3 | 5,021 | 2,561 |
| 11 | Total Costs and Expenses | 452,950 | 223,763 |
| 12 | Gross Operating Profit | 223,469 | 67,740 |
| 13 | Depreciation and Amortization | 56,811 | 28,121 |
| | Charges from Affiliates Other than Interest: | | |
| 14 | Management Fees | - | - |
| 15 | Other | - | - |
| 16 | Income (Loss) from Operations | 166,658 | 39,619 |
| | Other Income (Expenses): | | |
| 17 | Interest (Expense) - Affiliates | - | - |
| 18 | Interest (Expense) - External ... Note 7,9 | (35,118) | (21,694) |
| 19 | Investment Alternative Tax and Related Income (Expense) - Net | (7,957) | (3,335) |
| 20 | Nonoperating Income (Expense) - Net | 93 | 788 |
| 21 | Total Other Income (Expenses) | (42,982) | (24,241) |
| 22 | Income (Loss) Before Income Taxes and Extraordinary Items | 123,676 | 15,378 |
| 23 | Provision (Credit) for Income Taxes ... Note 3,10 | (9,789) | 2,472 |
| 24 | Income (Loss) Before Extraordinary Items | 133,465 | 12,906 |
| 25 | Extraordinary Items (Net of Income Taxes - 2004, $0; 2003, $0) | - | - |
| 26 | Net Income (Loss) | $ 133,465 | $ 12,906 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
($ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2004 (c) | 2003 (d) |
|---|---|---|---|
| | Revenue: | | |
| 1 | Casino | $ 164,524 | $ 122,086 |
| 2 | Rooms | 21,497 | 20,982 |
| 3 | Food and Beverage | 29,267 | 26,354 |
| 4 | Other | 5,999 | 6,182 |
| 5 | Total Revenue | 221,287 | 175,604 |
| 6 | Less: Promotional Allowances ... Note 1 | 41,841 | 33,783 |
| 7 | Net Revenue | 179,446 | 141,821 |
| | Costs and Expenses: | | |
| 8 | Cost of Goods and Services ... Note 1 | 91,529 | 61,728 |
| 9 | Selling, General, and Administrative ... Note 7, 11 | 24,120 | 43,634 |
| 10 | Provision for Doubtful Accounts ... Note 3 | 1,605 | 993 |
| 11 | Total Costs and Expenses | 117,254 | 106,355 |
| 12 | Gross Operating Profit | 62,192 | 35,466 |
| 13 | Depreciation and Amortization | 14,381 | 15,324 |
| | Charges from Affiliates Other than Interest: | | |
| 14 | Management Fees | - | - |
| 15 | Other | - | - |
| 16 | Income (Loss) from Operations | 47,811 | 20,142 |
| | Other Income (Expenses): | | |
| 17 | Interest (Expense) - Affiliates | - | - |
| 18 | Interest (Expense) - External ... Note 7,9 | (7,407) | (10,800) |
| 19 | Investment Alternative Tax and Related Income (Expense) - Net | (2,104) | (1,557) |
| 20 | Nonoperating Income (Expense) - Net | 108 | 661 |
| 21 | Total Other Income (Expenses) | (9,403) | (11,696) |
| 22 | Income (Loss) Before Income Taxes and Extraordinary Items | 38,408 | 8,446 |
| 23 | Provision (Credit) for Income Taxes ... Note 3,10 | (21,351) | 1,707 |
| 24 | Income (Loss) Before Extraordinary Items | 59,759 | 6,739 |
| 25 | Extraordinary Items (Net of Income Taxes - 2004, $0; 2003, $0) | - | - |
| 26 | Net Income (Loss) | $ 59,759 | $ 6,739 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 and SIX MONTHS ENDED DECEMBER 31, 2003

(UNAUDITED)
($ IN THOUSANDS)

| Line (a) | Description (b) | Contributed Capital (c) | Accumulated Earnings (Deficit) (d) | Accumulated Other Comprehensive Income (Loss) (e) | Total Equity (Deficit) (f) |
|---|---|---|---|---|---|
| 1 | **Balance, June 30, 2003** | $ 376,700 | $ (58,283) | $ (23,609) | $ 294,808 |
| 2 | Net Income (Loss) - 2003 | - | 12,906 | - | 12,906 |
| 3 | Capital Contributions | 70,000 | - | - | 70,000 |
| 4 | Capital Withdrawals | - | - | - | - |
| 5 | Partnership Distributions | - | - | - | - |
| 6 | Prior Period Adjustments | - | - | - | - |
| 7 | Other Comprehensive Income, net | - | - | 8,468 | 8,468 |
| 8 | | - | - | - | - |
| 9 | | - | - | - | - |
| 10 | **Balance, December 31, 2003** | 446,700 | (45,377) | (15,141) | 386,182 |
| 11 | Net Income (Loss) - 2004 | - | 133,465 | - | 133,465 |
| 12 | Capital Contributions | 30,807 | - | - | 30,807 |
| 13 | Capital Withdrawals | - | - | - | - |
| 14 | Partnership Distributions | - | - | - | - |
| 15 | Prior Period Adjustments | - | - | - | - |
| 16 | Other Comprehensive Income, net......Note 9 | - | - | 9,287 | 9,287 |
| 17 | | - | - | - | - |
| 18 | | - | - | - | - |
| 19 | **Balance, December 31, 2004** | $ 477,507 | $ 88,088 | $ (5,854) | $ 559,741 |

*Marina District Development Company is a limited liability company and therefore is treated as a partnership.*

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
($ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2004 (c) | 2003 (d) |
|---|---|---|---|
| 1 | NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | $ 185,552 | $ (58,635) |
| | CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| 2 | Purchase of Short-Term Investment Securities | - | - |
| 3 | Proceeds from the Sale of Short-Term Investment Securities | - | - |
| 4 | Cash Outflows for Property and Equipment | (23,237) | (13,826) |
| 5 | Proceeds from Disposition of Property and Equipment | - | - |
| 6 | Purchase of Casino Reinvestment Obligations | - | - |
| 7 | Purchase of Other Investments and Loans/Advances made | - | - |
| 8 | Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables | - | - |
| 9 | Cash Outflows to Acquire Business Entities | - | - |
| 10 | | - | - |
| 11 | | - | - |
| 12 | Net Cash Provided (Used) By Investing Activities | (23,237) | (13,826) |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| 13 | Cash Proceeds from Issuance of Short-Term Debt | - | - |
| 14 | Payments to Settle Short-Term Debt | - | - |
| 15 | Cash Proceeds from Issuance of Long-Term Debt | 367,792 | 205,000 |
| 16 | Costs of Issuing Debt | - | - |
| 17 | Payments to Settle Long-Term Debt | (548,348) | (201,044) |
| 18 | Cash Proceeds from Issuing Stock or Capital Contributions | 30,807 | 70,000 |
| 19 | Purchases of Treasury Stock | - | - |
| 20 | Payments of Dividends or Capital Withdrawals | - | - |
| 21 | | - | - |
| 22 | | - | - |
| 23 | Net Cash Provided (Used) By Financing Activities | (149,749) | 73,956 |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents | 12,566 | 1,495 |
| 25 | Cash and Cash Equivalents at Beginning of Period | 25,001 | 23,506 |
| 26 | Cash and Cash Equivalents at End of Period | $ 37,567 | $ 25,001 |

| | | | |
|---|---|---|---|
| | CASH PAID DURING PERIOD FOR: | | |
| 27 | Interest (Net of Amount Capitalized) | $ 29,218 | $ 19,674 |
| 28 | Income Taxes | $ 6,007 | $ 1,815 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
($ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2004 (c) | 2003 (d) |
|---|---|---|---|
| | NET CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| 29 | Net Income (Loss) | $ 133,465 | $ 12,906 |
| | Noncash Items Included in Income and Cash Items Excluded from Income: | | |
| 30 | Depreciation and Amortization of Property and Equipment | 53,236 | 26,811 |
| 31 | Amortization of Other Assets | 3,575 | 1,283 |
| 32 | Amortization of Debt Discount or Premium | - | - |
| 33 | Deferred Income Taxes - Current | - | - |
| 34 | Deferred Income Taxes - Noncurrent | - | - |
| 35 | (Gain) Loss on Disposition of Property and Equipment | 184 | - |
| 36 | (Gain) Loss on Casino Reinvestment Obligations | 7,957 | 3,335 |
| 37 | (Gain) Loss from Other Investment Activities | - | - |
| 38 | Net (Increase) Decrease in Receivables and Patrons' Checks | (29,694) | (17,130) |
| 39 | Net (Increase) Decrease in Inventories | (765) | (1,522) |
| 40 | Net (Increase) Decrease in Other Current Assets | (1,628) | (2,560) |
| 41 | Net (Increase) Decrease in Other Assets | 3,991 | (8,103) |
| 42 | Net Increase (Decrease) in Accounts Payable | 2,956 | (100,268) |
| 43 | Net Increase (Decrease) in Other Current Liabilities Excluding Debt | 8,749 | 28,151 |
| 44 | Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt | 3,748 | (839) |
| 45 | Net Loss (Gain) on Derivative Financial Instruments | (222) | (699) |
| 46 | | - | - |
| 47 | Net Cash Provided (Used) By Operating Activities | $ 185,552 | $ (58,635) |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| LINE (a) | DESCRIPTION (b) | 2004 (c) | 2003 (d) |
|---|---|---|---|
| | ACQUISITION OF PROPERTY AND EQUIPMENT: | | |
| 48 | Additions to Property and Equipment | $ (23,237) | $ (13,826) |
| 49 | Less: Capital Lease Obligations Incurred | - | - |
| 50 | Cash Outflows for Property and Equipment | $ (23,237) | $ (13,826) |
| | ACQUISITION OF BUSINESS ENTITIES: | | |
| 51 | Property and Equipment Acquired | $ - | $ - |
| 52 | Goodwill Acquired | - | - |
| 53 | Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment | - | - |
| 54 | Long-Term Debt Assumed | - | - |
| 55 | Issuance of Stock or Capital Invested | - | - |
| 56 | Cash Outflows to Acquire Business Entities | $ - | $ - |
| | STOCK ISSUED OR CAPITAL CONTRIBUTIONS: | | |
| 57 | Total Issuances of Stock or Capital Contributions | $ 30,807 | $ 70,000 |
| 58 | Less: Issuances to Settle Long-Term Debt | - | - |
| 59 | Consideration in Acquisition of Business Entities | - | - |
| 60 | Cash Proceeds from Issuing Stock or Capital Contributions | $ 30,807 | $ 70,000 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

AMENDED
4/26/05

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

($ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

| | | Promotional Allowances | | Promotional Expenses | |
|---|---|---|---|---|---|
| Line (a) | (b) | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 412,832 | $ 51,361 | - | $ - |
| 2 | Food | 1,880,249 | 37,569 | 480,100 | 4,801 |
| 3 | Beverage | 5,919,854 | 19,240 | - | - |
| 4 | Travel | - | - | 21,242 | 5,310 |
| 5 | Bus Program Cash | - | - | - | - |
| 6 | Other Cash Complimentaries | 2,431,946 | 60,798 | - | - |
| 7 | Entertainment | 94,088 | 3,764 | 3,952 | 432 |
| 8 | Retail & Non-Cash Gifts | - | - | 40,989 | 10,247 |
| 9 | Parking | - | - | - | - |
| 10 | Other* | 175,401 | 3,130 | 3,643,115 | 3,154 |
| 11 | Total | 10,914,370 | $ 175,862 | 4,189,398 | $ 23,944 |

* Promotional Allowances - Other includes $1,692 of comp dollars and slot dollars earned but not redeemed. No other individual item within Promotional Allowances - Other exceeds 5% of Total Promotional Allowances. Promotional Expenses - Other includes $

FOR THE THREE MONTHS ENDED DECEMBER 31, 2004

| | | Promotional Allowances | | Promotional Expenses | |
|---|---|---|---|---|---|
| Line (a) | (b) | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 100,572 | $ 12,725 | - | $ - |
| 2 | Food | 473,428 | 9,421 | 133,463 | 1,334 |
| 3 | Beverage | 1,405,420 | 4,568 | - | - |
| 4 | Travel | - | - | 5,544 | 1,386 |
| 5 | Bus Program Cash | - | - | - | - |
| 6 | Other Cash Complimentaries | 560,425 | 14,010 | - | - |
| 7 | Entertainment | 19,473 | 779 | 1,348 | 135 |
| 8 | Retail & Non-Cash Gifts | - | - | 11,634 | 2,908 |
| 9 | Parking | - | - | - | - |
| 10 | Other* | 13,511 | 338 | 935,891 | 843 |
| 11 | Total | 2,572,829 | $ 41,841 | 1,087,880 | $ 6,606 |

* Promotional Allowances - No individual item within Promotional Allowances - Other exceeds 5% of Total Promotional Allowances. Promotional Expenses - Other includes $842 of comp taxes. No other individual item within Promotional Expenses - Other exceed

# Marina District Development Company, LLC and Subsidiary

**(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)**

Notes to Consolidated Financial Statements
(Unaudited)

## Note 1. Summary of Significant Accounting Policies

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Marina District Development Company, LLC, d.b.a. Borgata, (a development-stage enterprise prior to July 3, 2003) ("MDDC, LLC") and Marina District Finance Company, Inc. ("MDFC"), its wholly-owned subsidiary, collectively referred to herein as the "Company", "We", or "Us". The Company is a wholly-owned subsidiary of Marina District Development Holding Co., LLC ("Holding Company" or "Parent"). Holding Company is jointly owned by MAC, Corp. ("MAC"), a wholly-owned subsidiary of MGM MIRAGE, and Boyd Atlantic City, Inc. ("BAC"), a wholly-owned subsidiary of Boyd Gaming Corporation. Our purpose is to develop, own, and operate a hotel casino and spa facility at Renaissance Pointe in Atlantic City, New Jersey. We opened Borgata on July 3, 2003 with approximately 2,000 hotel rooms, a 125,000 square foot casino, and other amenities.

In 2004, Boyd Gaming Corporation announced two major expansions of Borgata. The first expansion ("Public Space Expansion") is a project with an estimated cost of $200,000,000 and the second expansion ("Rooms Expansion") is a project in the conceptual design phase with a cost to be determined and requires various government and regulatory approvals. The Public Space Expansion consists of substantial additions of both gaming and non-gaming amenities to be built on a portion of the existing surface parking lot. The centerpiece of the Rooms Expansion is a new hotel tower, containing approximately 800 rooms and suites, to be built on a portion of the existing surface parking lot, near the existing porte cochere. In addition to the hotel, which will have an arrival and identity separate from our existing hotel tower, the Rooms Expansion will include a new spa and additional meeting room space. Access to our existing facilities and the Public Space Expansion amenities is intended to be seamless and convenient. The Public Space Expansion construction commenced in December 2004 with expected completion to occur in the second quarter 2006. The Rooms Expansion construction is expected to begin during the fourth quarter of 2005 and is scheduled for completion in the fourth quarter of 2007. Boyd Gaming Corporation and MGM MIRAGE have approved both projects, which will be built on land leased from MGM MIRAGE. BAC and MAC do not expect to make further capital contributions to us for the expansion projects as we expect to finance the projects from our cash flow and from our recently refinanced bank credit facility, which is capable of being expanded (see Note 8).

Pursuant to the Joint Venture Agreement (the "JV Agreement"), BAC, as the managing venturer of the Holding Company, has oversight responsibility for the management of Borgata which includes the design, development, and construction as well as the day to day operations. We do not record a management fee to BAC as our management team directly performs these services or negotiates contracts to provide for these services. As a result, the costs of these services are directly borne by the Company and are reflected in our accompanying consolidated financial statements.

*Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid investments with maturities of three months or less at their date of purchase. The carrying value of these investments approximates their fair value due to their short maturities.

*Accounts Receivable, net*

Accounts receivable consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts of $7,081,000 and $2,561,000 at December 31, 2004 and 2003, respectively. The allowance for doubtful accounts is estimated based upon our collection experience and the age of the receivables. In addition to these receivables we have recorded a $23,021,000 receivable. Based on Jersey state income tax rules, we are eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit because we made a qualified investment in a new business facility that created new jobs, as a result we have recorded a $23,021,000 receivable (See Note 10).

*Inventories*

Inventories consist primarily of food and beverage and retail items and are stated at the lower of cost or market. Cost is determined using the average cost method.

*Property and Equipment*

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets (see Note 4). Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on disposal of assets are recognized as incurred.

*Capitalized Interest*

Interest costs incurred during the initial construction and expansion of the facility, which include commitment fees, letter of credit fees and the amortized portion of deferred loan origination fees, are capitalized and included in property and equipment on the accompanying consolidated balance sheets. Capitalization of interest related to the initial construction of the facility ceased on July 3, 2003, when the original project was considered substantially complete. Capitalized interest during the period that commenced January 1, 2003 and ended July 2, 2003 was $18,224,000. Capitalization of interest related to the Public Space Expansion commenced in December 2004, when construction began. Capitalized interest during the year ended December 31, 2004 was $21,000.

*Deferred Loan Origination Fees*

Deferred loan origination fees incurred in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreement.

*Revenue and Promotional Allowances*

Gaming revenue represents the net win from gaming activities, which is the difference between gaming wins and losses. The majority of our gaming revenue is counted in the form of cash, chips and tokens and therefore is not subject to any significant or complex estimation procedures. Gross revenues include the estimated retail value of rooms, food and beverage, and other goods and services provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowances. The estimated costs and expenses of providing these promotional allowances are charged to the gaming department in the following amounts:

| | Year Ended December 31, 2004 | Year Ended December 31, 2003 |
|---|---|---|
| Room | $ 16,165,000 | $ 7,340,000 |
| Food and beverage | 40,793,000 | 17,060,000 |
| Other | 5,649,000 | 5,137,000 |
| **Total** | **$ 62,607,000** | **$ 29,537,000** |

Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our slot club and other gaming programs. We reward customers, through the use of loyalty programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for restricted free play slot machine credits and complimentary goods or services. We record the estimated retail value of these incentives as revenue and then deduct them as a promotional allowance. For the years ended December 31, 2004 and 2003, these incentives were $62,448,000 and $20,057,000, respectively.

*Income Taxes*

Our Parent and we are treated as a partnership for federal income tax purposes; therefore, federal income taxes are the responsibility of MAC and BAC. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act, therefore, we are required to record New Jersey state income taxes. In 2004, we were granted permission by New Jersey, pursuant to a ruling request, to file a consolidated New Jersey corporation business tax return with MAC and BAC. We have agreed with MAC and BAC that our tax liability will be based upon our stand-alone separate activity, as reflected in our consolidated financial statements.

Pursuant to an amendment to the Casino Control Act, effective July 1, 2003, we are also subject to a 7.5% Adjusted Net Profits Tax which is imposed on a casino's adjusted net income as defined in the Casino Control Commission regulations. This tax of $3,804,000 per year is based on our adjusted net income for our first twelve months of operations ended on June 30, 2004 and is imposed for each of the three fiscal years ending June 30, 2004 through June 30, 2006. We are entitled to a 50% credit against our Adjusted Net Profits Tax if we make qualifying capital expenditures, as defined by statute. In 2004, we recognized this credit in arriving at our state tax benefit reported on the accompanying consolidated statement of operations (see Note 10).

While we are not subject to federal income tax, the JV Agreement and our bank credit agreement provide for distributions to MAC and BAC for payments of income taxes. See Note 12 for subsequent event.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Significant estimates incorporated into our accompanying consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, estimated valuation allowance for deferred tax assets, the estimate for available tax credits, the estimated liabilities for our self-insured medical plan, slot club programs, and litigation, claims and assessments. Actual results could differ from those estimates and assumptions.

*Preopening Expenses*

We expensed certain costs of start-up activities as incurred during our development stage, which ended when we began operating on July 3, 2003.

*Derivative Financial Instruments and Other Comprehensive Income (Loss)*

We account for our interest rate protection agreements as derivative financial instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments*. Our derivative financial instruments are utilized to reduce interest rate risk. We do not enter into derivative financial instruments for trading or speculative purposes. SFAS No. 133 requires all derivatives to be recognized on the balance sheet at fair value. Derivatives that are not designated as hedges must be adjusted to fair value through income. For derivatives designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

We account for our comprehensive income (loss) in accordance with SFAS No. 130, *Reporting Comprehensive Income*. Such amounts of accumulated other comprehensive income (loss) related to our derivative financial instruments are expected to reverse through our consolidated statements of operations over the lives of the derivative financial instruments.

*Recently Issued Accounting Standards*

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 153, *Exchanges of Nonmonetary Assets*. This statement amends certain accounting literature to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We currently do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

## Note 2. Capital Contributions

The components of cash and non-cash equity contributions consist of the following:

| | December 31, 2004 | December 31, 2003 |
|---|---|---|
| Cash | $ 386,074,000 | $ 355,267,000 |
| Land | 87,301,000 | 87,301,000 |
| Special Revenue Bonds | 2,699,000 | 2,699,000 |
| Other | 1,433,000 | 1,433,000 |
| **Capital contributions** | **$ 477,507,000** | **$ 446,700,000** |

At December 31, 2003, we had recorded contributions receivable from BAC and MAC in the amounts of $35,500,000 and $4,100,000, respectively. These contributions receivable are classified as part of member equity on the accompanying consolidated balance sheet at December 31, 2003. Each receivable included $4,100,000 related to unfunded contributions pursuant to the total of agreed-upon project costs in the operating agreement. The receivable from BAC also included $31,400,000 related to the excess of total estimated project costs over the total agreed-upon project costs. In June 2004, BAC and MAC signed an agreement that finalized the total amount of our project costs subject to the resolution of a minor contract dispute and the potential refund of certain construction fees. Pursuant to this agreement, both BAC and MAC agreed to waive the remaining capital contributions, which were finalized at $4,100,000 each and would have funded us to the total of agreed-upon project costs. In addition, BAC agreed to pay a total of $30,800,000 to fulfill their obligation to fund the excess of actual project costs, calculated before any resolution to the minor outstanding issues, above the total of agreed-upon costs. Accordingly, in June 2004, BAC made a $30,807,000 capital contribution to us that was applied to the contribution receivable that was recorded at December 31, 2003. As such, there are no contributions receivable recorded at December 31, 2004.

## Note 3. Receivables and Patrons' Checks

Receivables and patrons' checks consist of the following:

| | December 31, 2004 | December 31, 2003 |
|---|---|---|
| Casino receivables (net of an allowance for doubtful accounts – 2004 $6,818,000 and 2003 $2,171,000) | $ 16,812,000 | $ 12,259,000 |
| NJ Tax Refund receivable | 23,021,000 | 0 |
| Other (net of an allowance for doubtful accounts – 2004 $263,000 and 2003 $390,000 | 7,093,000 | 4,442,000 |
| Due from related parties (Note 7) | 322,000 | 853,000 |
| **Receivables and patrons' checks, net** | **$ 47,248,000** | **$ 17,554,000** |

## Note 4. Property and Equipment

Property and equipment consists of the following:

| | Estimated Life (Years) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|
| Land | - | $ 87,301,000 | $ 87,301,000 |
| Building and improvements | 3-40 | 803,151,000 | 806,477,000 |
| Furniture and equipment | 3-7 | 140,563,000 | 126,450,000 |
| Construction in progress | - | 9,959,000 | 1,398,000 |
| Total | | 1,040,974,000 | 1,021,626,000 |
| Less accumulated depreciation | | 79,237,000 | 28,368,000 |
| **Property and equipment, net** | | **$ 961,737,000** | **$ 993,258,000** |

Depreciation expense was $53,236,000 and $26,457,000 for the years ended December 31, 2004 and 2003, respectively.

## Note 5. Other Accrued Expenses

Other accrued expenses consist of the following:

| | December 31, 2004 | December 31, 2003 |
|---|---|---|
| Payroll and related | $ 22,839,000 | $ 15,772,000 |
| Other | 29,890,000 | 21,457,000 |
| **Other accrued expenses** | **$ 52,729,000** | **$ 37,229,000** |

## Note 6. Other Current Liabilities

Other current liabilities consist of the following:

| | December 31, 2004 | December 31, 2003 |
|---|---|---|
| Due to related parties (Note 7) | $ 864,000 | $ 4,152,000 |
| Other | 9,866,000 | 7,758,000 |
| **Other current liabilities** | **$ 10,730,000** | **$ 11,910,000** |

**Note 7. Related Parties**

Pursuant to the Agreement, MAC is solely responsible for any investigation, analyses, clean-up, detoxification, testing, monitoring, or remediation related to Renaissance Pointe. The related amounts due from MAC for these types of expenditures incurred by us were $319,000 and $796,000 at December 31, 2004 and 2003, respectively. Reimbursable environmental expenditures incurred were $678,000 for the year ended December 31, 2004 and $530,000 for the six months ended December 31, 2003.

Boyd Gaming Corporation reimburses us for expenses relating to investigative services for our casino license and other expenses. The related amounts incurred by us and due from Boyd Gaming Corporation for these types of expenses were $3,000 and $57,000 at December 31, 2004 and 2003, respectively. Reimbursable expenditures incurred were $2,106,000 for year ended December 31, 2004 and $7,000 for the six months ended December 31, 2003.

Pursuant to the Agreement, MAC is responsible for the development of master plan and government improvements at Renaissance Pointe. The related amounts due to MAC for our allocable share of these types of expenditures were $0 and $3,760,000 at December 31, 2004 and 2003, respectively. Master plan and government improvement expenditures reimbursable to MAC were $0 for the year ended December 31, 2004 and $1,636,000 for the six months ended December 31, 2003.

On May 20, 2002, we entered into a 75 year ground lease agreement with MAC related to our employee parking garage and on February 21, 2003, we entered into a three year ground lease agreement with MAC related to our surface parking lot (see Note 8). The related amounts due to MAC for these leases were $486,000 and $153,000 at December 31, 2004 and 2003, respectively. Related rent expense payments were $1,333,000 for the year ended December 31, 2004 and $667,000 for the six months ended December 31, 2003. Pursuant to the ground lease agreement related to the employee parking garage, we are responsible for reimbursing MAC for related property taxes paid on our behalf. Amounts reimbursed to MAC for property taxes were $656,000 for the year ended December 31, 2004 which were included in the accompanying consolidated statement of operations. Amounts reimbursed to MAC for property taxes were $314,000 for the six months ended December 31, 2003.

On August 1, 2003, we entered into a one year airplane lease agreement with BAC that is cancelable by either party. The related amounts due to BAC for these types of expenditures were $0 at December 31, 2004 and 2003. Related rent expense payments were $316,000 for the year ended December 31, 2004 and $208,000 for the six months ended December 31, 2003. On August 6, 2004, we purchased the airplane from BAC for its appraised value of $5,750,000.

We reimburse BAC for compensation paid to employees performing services for us on a full-time basis and for out-of-pocket costs and expenses incurred related to travel. Boyd Gaming Corporation is also reimbursed for various payments made on our behalf primarily related to third party legal fees, investigative fees, and other costs. The related amounts due to BAC and Boyd for these types of expenditures paid by BAC were $378,000 and $239,000 at December 31, 2004 and 2003, respectively. Reimbursable expenditures during the year ended December 31, 2004 were $4,360,000 which was included in the accompanying consolidated statement of operations. Reimbursable expenditures during the six months ended December 31, 2003 were $6,734,000.

The related party balances above are non-interest bearing.

**Note 8. Debt**

Amounts outstanding under each component of our bank credit agreements are as follows:

| | December 31, 2004 | December 31, 2003 |
|---|---|---|
| Term Loan A | $ - | $ 380,625,000 |
| Term Loan B | 200,000,000 | 187,031,000 |
| Revolving line of credit | 225,600,000 | 38,500,000 |
| Total long-term debt | 425,600,000 | 606,156,000 |
| Less current maturities | 2,000,000 | 50,625,000 |
| **Total** | **$ 423,600,000** | **$ 555,531,000** |

On October 20, 2004, our First Amended and Restated credit agreement among Marina District Finance Company, Marina District Development Company, Canadian Imperial Bank of Commerce and certain other financial institutions became effective. The amended bank credit facility modified our original bank credit facility.

The amended bank credit facility consists of a $450,000,000 revolving credit facility and a $200,000,000 term loan and is capable of being expanded. The revolving credit facility matures in October 2009 and the term loan matures in October 2011. The term loan is required to be repaid in quarterly increments of $500,000 commencing on March 31, 2005 continuing through September 30, 2011 at which time the remaining balance of the term loan matures on October 20, 2011. Amounts repaid under the term loan may not be reborrowed. At December 31, 2004, $200,000,000 of borrowings were outstanding under the term loan, $225,600,000 was outstanding under the revolving credit facility, and $2,300,000 was allocated to support letters of credit, leaving availability under the bank credit facility of $222,100,000. The interest rate on the term loan is based upon either (i) the agent bank's quoted base rate or (ii) the eurodollar rate, plus a fixed margin. The interest rate on the revolving credit facility is based upon either (i) the agent bank's quoted base rate or (ii) the eurodollar rate, plus an applicable margin that is determined by the level of a predefined financial leverage ratio. In addition, we incur a commitment fee on the unused portion of the revolving credit facility that ranges from 0.25% to 0.5% per annum. The blended interest rates for outstanding borrowings under the bank credit agreements at December 31, 2004 and 2003 were 4.0% and 4.6%, respectively. The amended bank credit facility is secured by substantially all of our real and personal property and is non-recourse to MAC and BAC.

The amended bank credit facility contains certain financial and other covenants, including, without limitation, various covenants (i) requiring the maintenance of a fixed charge coverage ratio, (ii) establishing a maximum permitted total leverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, (iv) imposing limitations on the maximum permitted expansion capital expenditures during the term of the amended bank credit facility and (v) imposing restrictions on investments, dividends and certain other payments. We believe we are in compliance with these covenants as of December 31, 2004.

The scheduled maturities of long-term debt for the years ending December 31 as follows:

| | | |
|---|---|---|
| 2005 | $ | 2,000,000 |
| 2006 | | 2,000,000 |
| 2007 | | 2,000,000 |
| 2008 | | 2,000,000 |
| 2009 | | 227,600,000 |
| Thereafter | | 190,000,000 |
| **Total** | **$** | **425,600,000** |

**Note 9. Interest Rate Protection Agreements**

On March 8, 2001, we entered into several interest rate protection agreements to comply with the requirements of our original bank credit agreement at an initial cost of $771,000. The interest rate protection agreements consist of interest rate swaps, caps and collars with a combined total initial aggregate notional amount of $310,000,000 that commence and mature at various dates ranging from December 2001 to December 2005. The aggregate notional amounts of the agreements at December 31, 2004 and 2003 were $290,000,000 and $310,000,000, respectively. The interest rate protection agreements are accounted for as derivative financial instruments in accordance with SFAS No. 133. The fair values of the derivative financial instruments at December 31, 2004 and 2003 have been recorded on the accompanying consolidated balance sheets. Net interest paid or received pursuant to the derivative financial instruments is included in interest expense in the period, which was subject to capitalization prior to July 3, 2003, the commencement of our operations. The net effect of our interest rate swaps resulted in an increase in interest of $9,979,000 and $11,564,000, respectively, greater than the contractual rate of the underlying hedged debt for the years ending December 31, 2004 and 2003. At December 31, 2004 and 2003, the weighted average fixed interest rates that we received were 2.6% and 1.2%, respectively, and the weighted average variable interest rates that we paid were 5.0% and 4.7%, respectively.

We are exposed to credit loss in the event of nonperformance by the counterparties to the interest rate protection agreements. However, we believe that this risk is minimized because the counterparties to the agreements are existing lenders under our bank credit facility. If we had terminated our interest rate protection agreements as of December 31, 2004, we would have paid $5,626,000 based on quoted market values from the financial institutions holding the agreements.

The following table reports the effects of the mark to market valuations of our derivative financial instruments for the periods indicated. The increase or decrease in fair value of certain hedges deemed to be ineffective is reported in the accompanying consolidated statements of operations. For the year ended December 31, 2004, a net gain of $222,000 is included in the net gain on derivative financial instruments on the accompanying consolidated statement of operations. For the year ended December 31, 2003, a net gain of $699,000 is included in the net gain on derivative financial instruments on the accompanying consolidated statement of operations. The increase or decrease in fair value of certain hedges deemed to be effective is reported in other comprehensive income (loss) as a component of member equity on the accompanying consolidated balance sheets.

| | Year Ended December 31, 2004 | Year Ended December 31, 2003 |
|---|---|---|
| Net gain on derivative financial instruments due to ineffectiveness in certain hedges | **$ 222,000** | **$ 699,000** |

| | 2004 | 2003 |
|---|---|---|
| Derivative financial instruments market adjustment | $ 10,204,000 | $ 6,970,000 |
| Tax effect of derivative financial instruments market adjustment, including effect of change of tax status (Note 10) | (917,000) | 1,498,000 |
| Net derivative financial instruments market adjustment | **$ 9,287,000** | **$ 8,468,000** |

We estimate a net amount of $808,000 of existing net losses reported in accumulated other comprehensive loss at December 31, 2004 to be recorded as net losses on derivative financial instruments in the consolidated statement of operations within the next twelve month period through quarterly mark to market valuations of our derivative financial instruments.

**Note 10. Income Taxes**

The following tables present our state income tax benefit and related deferred tax assets. For tax years ended prior to obtaining our casino license on July 3, 2003, we were not subject to New Jersey state income taxes. Accordingly, the tax attributes as of July 3, 2003 are subsequently reflected as a component of the net deferred state tax assets as of and for the years ended December 31, 2004 and 2003 and the benefit from state income taxes for the year ended December 31, 2004. No state income tax benefit related to tax attributes was recorded in the six month period ended December 31, 2003.

A summary of the benefit from state income taxes is as follows:

| | Year Ended December 31, 2004 | Six Month Period Ended December 31, 2003 |
|---|---|---|
| State | | |
| Current | $ (15,761,000) | $ 2,128,000 |
| Deferred | 5,972,000 | (344,000) |
| **Benefit from state income taxes** | **$ (9,789,000)** | **$ (2,472,000)** |

The following table provides reconciliations between the state statutory rate and the effective tax rate where both are expressed as a percentage of income.

| | Year Ended December 31, 2004 | Six Month Period Ended December 31, 2003 |
|---|---|---|
| Tax provision (benefit) at state statutory rate | 9.0% | 9.0% |
| New jobs investment tax credit | (11.8) | (55.0) |
| Adjusted net profits tax | 3.8 | 6.3 |
| Adjusted net profits tax credit | (1.9) | (3.1) |
| Other, net | 0.2 | 0.8 |
| Valuation allowance | (7.2) | 58.1 |
| **Total state income tax benefit** | **(7.9)%** | **16.1%** |

The components comprising the Company's net deferred state tax asset are as follows:

| | December 31, 2004 | December 31, 2003 |
|---|---|---|
| Deferred state tax assets: | | |
| Preopening expenses amortized for tax purposes | $ 4,076,000 | $ 5,847,000 |
| Provision for doubtful accounts | 637,000 | 231,000 |
| Derivative financial instruments market adjustment | 580,000 | 1,498,000 |
| Reserve differential for gaming activities | 576,000 | 388,000 |
| Reserve for employee benefits | 179,000 | 431,000 |
| New jobs investment tax credit | - | 8,460,000 |
| State tax credit carryforwards | - | 1,520,000 |
| Other | 86,000 | 103,000 |
| Subtotal | 6,134,000 | 18,478,000 |
| Valuation allowance | - | (8,941,000) |
| Gross deferred state tax asset | 6,134,000 | 9,537,000 |
| Deferred state tax liabilities: | | |
| Difference between book and tax basis of property | 5,419,000 | 1,831,000 |
| Other | 493,000 | 594,000 |
| Gross deferred state tax liability | 5,912,000 | 2,425,000 |
| **Net deferred state tax asset** | **$ 222,000** | **$ 7,112,000** |

The items comprising our deferred income taxes as presented on the accompanying consolidated balance sheets are as follows:

| | December 31, 2004 | December 31, 2003 |
|---|---|---|
| Current deferred income tax asset | $ 487,000 | $ 1,230,000 |
| Non-current deferred income tax asset | - | 5,882,000 |
| Non-current deferred income tax liability | 265,000 | - |
| **Net deferred state tax asset** | **$ 222,000** | **$ 7,112,000** |

We are entitled to a 50% credit against our Adjusted Net Profits Tax (see Note 1) if we make qualifying capital expenditures, as defined by statute. In 2003, we placed a valuation allowance of approximately $481,000 on the credit because we had not made any qualifying capital expenditures, nor did we have any definitive expansion plans. In December 2004, we commenced an expansion project (see Note 1) and submitted the appropriate applications for reimbursement of this tax. As such, we released the valuation allowance on the 2003 credit and realized an additional credit of $2,372,000, representing 50% of the Adjusted Net Profits Tax paid in 2004, for a total benefit of $2,853,000.

Based on New Jersey state income tax rules, we are eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit because we made a qualified investment in a new business facility that created new jobs. The total estimated available credit is approximately $75,000,000 over a five year period subject to certain annual conditions. We have filed a request for a net refund of approximately $8,460,000 related to the year ended December 31, 2003 and we expect to file requests for refunds for each of the four years ending December 31, 2004 through December 31, 2007, ranging from approximately $14,000,000 to $18,000,000 per year. Due to various uncertainties, we had placed a valuation reserve on the entire amount of these state tax credits earned through September 30, 2004. In February 2005, we received a refund notice from the New Jersey Division of Taxation that caused us to reassess the valuation reserve and realize the benefit of all state tax credits earned through December 31, 2004.

As such, we recorded $23,021,000 of net tax benefit (including a 2003 valuation reversal benefit of $8,460,000) related to the New Jersey New Jobs Investment Tax Credit on our accompanying consolidated statement of operations for the year ended December 31, 2004. We may be entitled to incremental New Jersey New Jobs Investment Tax Credits as a result of our expansion projects as discussed in Note 1.

## Note 11. Commitments and Contingencies

*Future Minimum Lease Payments*

Future minimum lease payments required under noncancelable operating leases (principally for land, see Note 4) as of December 31, 2004 are as follows:

| | |
|---|---|
| 2005 | $ 2,918,000 |
| 2006 | 2,962,000 |
| 2007 | 2,248,000 |
| 2008 | 1,799,000 |
| 2009 | 1,260,000 |
| Thereafter | 68,198,000 |
| **Total** | **$ 79,385,000** |

For the year ended December 31, 2004, total rent expense was $7,042,000 and $4,156,000 for the six months ended December 31, 2003.

*Utility Contract*

In December 2000, we entered into an executory contract with a wholly-owned subsidiary of a local utility company. The utility company subsidiary has constructed, at its own expense, a central utility plant in order to provide thermal energy (hot water and chilled water) and emergency generation of electricity during periods of electric service interruption to Borgata (as well as other casinos and related business at or near Renaissance Pointe). The term of the contract is 20 years and commenced at the time of opening of Borgata in July 2003. Obligations under the executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the executory contract are currently estimated at approximately $6,000,000 per annum.

*Letters of Credit*

We entered into letter of credit agreements to guarantee various construction activities. These agreements provide credit availability to the various beneficiaries if certain contractual events occur. Amounts under these agreements, which expired in January 2005, totaled $2,300,000 at December 31, 2004 and 2003.

*Investment Alternative Tax*

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, we may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

We entered into a tri-party agreement with the CRDA and MAC committing up to $14,000,000 of our current and future CRDA deposit obligations to the proposed Venice Park Bulkhead Project (the "Bulkhead Project"). Under this agreement, MAC is solely responsible for funding any and all hard and soft costs and expenses of designing, permitting, engineering, developing, consulting, equipping, and opening the Bulkhead Project. We are required to fund our CRDA obligations, based upon 1.25% of gross gaming revenues, up to $14,000,000. The CRDA will hold these funds in a segregated account and will reimburse MAC for their costs associated with the Bulkhead Project. Once we have deposited $14,000,000 into the segregated CRDA account, we will have the right to use our additional investment obligations for other qualifying investments under the New Jersey Statutes which control such investments. For the years ended December 31, 2004 and 2003, we have funded $9,128,000 and $3,335,000, respectively, of our CRDA obligations under the tri-party agreement. In the event that the Bulkhead Project is not consummated, we would be required to make expenditures for housing projects in Atlantic City. A full valuation allowance for the deposits made through December 31, 2004 and 2003 has been provided in the accompanying consolidated financial statements as the Company could not determine that such amounts would have any net realizable value.

*Grant and Donations Agreement*

In June 2004, Borgata and the eleven other casinos in the Atlantic City gaming market (collectively, the "Casinos") entered into a Grant and Donations Agreement (the "Agreement") with the New Jersey Sports & Exposition Authority (the "NJSEA") and the Casino Reinvestment Development Authority (the "CRDA") in the interest of deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks.

Under the terms of the Agreement, the Casinos shall pay to the NJSEA $34,000,000 to be used for certain authorized purposes (the "Authorized Uses") as defined by the Agreement. The $34,000,000 to be paid by the Casinos shall be payable over a four year period as follows: $7,000,000 on or before October 15, 2004; $8,000,000 on or before October 15, 2005; $9,000,000 on or before October15, 2006; and $10,000,000 on or before October 15, 2007. In the event any of the $34,000,000 is not used by NJSEA for the Authorized Uses by January 1, 2009, the unused funds shall be returned by NJSEA to the Casinos pro rata based upon the share each casino contributed. For each year, each casino's share of the $34,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ending June 30th prior to the October 15 payment date compared to the gross gaming revenues for that period for all Casinos. The Casinos, individually and collectively, shall be responsible for the payment of all amounts due. In the event that any casino shall fail to make its payment as required, the remaining Casinos shall pay a pro rata share of the defaulted payment based upon their share of the gross gaming revenue for the period as compared to the gross gaming revenues for the period for all Casinos calculated without the gross gaming revenue of the defaulting casino. As a result, we will expense our pro rata share of the $34,000,000, estimated to be approximately $4,100,000 in total using our current market share of gross gaming revenue, on a straight line basis over the applicable term of the Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the $7,000,000 paid on October 15, 2004 was approximately 12.0%, or $837,000. We recorded an expense of $490,000 for the year ended December 31, 2004.

Also under the terms of the Agreement, the Casinos authorize and request that the CRDA approve donations in the aggregate amount of $62,000,000 from the Casino's North Jersey Obligations (pursuant to the New Jersey Casino Control Act) for certain uses as defined by the Agreement. If so approved, the CRDA shall credit 100% of the donations received from each casino against that casino's obligation to purchase bonds. The donation shall provide that each casino's share of the $62,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ended June 30, 2004 compared to the gross gaming revenues for that period for all Casinos. Each casino's respective annual donation shall be made first from uncommitted current and future funds in the North Jersey Project Fund established in accordance with the CRDA Urban Revitalization Act of that Casino and shall be credited as fulfilling said obligation on behalf of the particular casino making the payment. To the extent such North Jersey Project funds of that casino are not adequate to pay a Casino's share of the required donations, then that casino's other uncommitted current and future North Jersey Obligations shall be utilized. As a result, we will expense our pro rata share of the $62,000,000 on a straight line basis over the applicable term of the Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the $62,000,000 is approximately 12.0%, or $7,400,000. We recorded an expense of $865,000 for the year ended December 31, 2004. Based on current gross gaming revenue projections, we expect it will take approximately 10 to 12 years to fully fund this obligation as the third quarter of 2006 is the first quarter we are subject to fund North Jersey Obligations.

*Legal Matters*

We are subject to various claims and litigation in the normal course of business. In our opinion, all pending legal matters are either adequately covered by insurance, or if not insured, will not have a material adverse impact on our financial position, results of operations or cash flows.

**Note 12. Subsequent Event**

On February 15, 2005, equal distributions were made to MAC and BAC under the terms of the JV Agreement and bank credit agreement totaling $13,444,000.

# STATEMENT OF CONFORMITY AND COMPLIANCE

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.

3. To the best of my knowledge and belief, the information contained in this report is accurate.

4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report, has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

**Signature - Auggie Cipollini**

Vice President - Finance
**Title**

7163-11
**License Number**

On Behalf of:
Marina District Development Company LLC
**Casino Licensee**

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2004

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

| LINE (a) | DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e) |
|---|---|---|---|---|
| | Patrons' Checks: | | | |
| 1 | Undeposited Patrons' Checks | $ 16,916 | | |
| 2 | Returned Patrons' Checks | 6,714 | | |
| 3 | Total Patrons' Checks | 23,630 | $ 6,818 | $ 16,812 |
| 4 | Hotel Receivables | 2,035 | 263 | 1,772 |
| | Other Receivables: | | | |
| 5 | Receivables Due from Officers and Employees | - | | |
| 6 | Receivables Due from Affiliates | 322 | | |
| 7 | Other Accounts and Notes Receivables | 28,342 | | |
| 8 | Total Other Receivables | 28,664 | - | 28,664 |
| 9 | Totals (Form CCC-205) | $ 54,329 | $ 7,081 | $ 47,248 |

UNDEPOSITED PATRONS' CHECKS ACTIVITY

| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
|---|---|---|
| 10 | Beginning Balance (January 1) | $ 12,128 |
| 11 | Counter Checks Issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits) | 473,182 |
| 12 | Checks Redeemed Prior to Deposit (Excluding the Unredeemed Portion of Counter Checks Redeemed Through Partial Redemptions, and Excluding Checks Redeemed Through Transactions Relating to Consolidations, Substitutions, and Patrons' Cash Deposits) | (344,422) |
| 13 | Checks Collected Through Deposits | (106,875) |
| 14 | Checks Transferred to Returned Checks | (17,097) |
| 15 | Other Adjustments | - |
| 16 | Ending Balance | $ 16,916 |
| 17 | "Hold" Checks Included in Balance on Line 16 | $ - |
| 18 | Provision for Uncollectible Patrons' Checks | $ 6,818 |
| 19 | Provision as a Percent of Counter Checks Issued | 1.4% |

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

3/31/2005
**Date**

Signature - Auggie Cipollini

Vice President - Finance
**Title of Officer**

TRADING NAME OF LICENSEE: Marina District Development Company, LLC and Subsidiary (Borgata Hotel Casino & Spa)

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2004
($ in Thousands)

| LINE (a) | DEPARTMENT (b) | NUMBER OF EMPLOYEES AT DECEMBER 31, (c) | SALARIES AND WAGES Other Employees (d) | Officers & Owners (e) | Totals (f) |
|---|---|---|---|---|---|
| | CASINO | | | | |
| 1 | Administration | 7 | | | |
| 2 | Gaming | 1,525 | | | |
| 3 | Slots | 166 | | | |
| 4 | Casino Accounting | 294 | | | |
| 5 | Simulcasting | 14 | | | |
| 6 | Other | 27 | | | |
| 7 | Total - Casino | 2,033 | $ 42,706 | $ 964 | $ 43,670 |
| 8 | ROOMS | 477 | 10,965 | - | 10,965 |
| 9 | FOOD AND BEVERAGE | 1,545 | 27,182 | - | 27,182 |
| | OTHER OPERATED DEPARTMENTS | | | | |
| 10 | Spa, Fitness Center & Pool | 86 | 1,449 | - | 1,449 |
| 11 | Transportation | 123 | 2,025 | - | 2,025 |
| 12 | Business Center | 3 | 70 | - | 70 |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| | ADMINISTRATIVE AND GENERAL | | | | |
| 20 | Executive office | 24 | 484 | 1,940 | 2,424 |
| 21 | Accounting and auditing | 129 | 3,068 | - | 3,068 |
| 22 | Security | 218 | 5,590 | - | 5,590 |
| 23 | Other administrative and general department | 124 | 4,948 | - | 4,948 |
| 24 | MARKETING | 229 | 8,179 | | 8,179 |
| 25 | GUEST ENTERTAINMENT | 219 | 3,185 | - | 3,185 |
| 26 | PROPERTY OPERATION AND MAINTENANCE | 275 | 8,174 | - | 8,174 |
| 27 | TOTALS - ALL DEPARTMENTS | 5,485 | $ 118,025 | $ 2,904 | $ 120,929 |

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

3/31/2005
**Date**

**Signature - Auggie Cipollini**

Vice President - Finance
**Title of Officer**

TRADING NAME OF LICENSEE : BORGATA HOTEL CASINO AND SPA

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2004

| Line | | |
|---|---|---|
| | CASINO WIN: | |
| 1. | Table and Other Games Win | $ 232,701,506 |
| 2. | Slot Machines Win | 403,839,339 |
| 3. | Total Win | 636,540,845 |
| 4. | Recovery for Uncollectible Patrons' Checks | 0 |
| 5. | Gross Revenue (line 3 plus line 4) | 636,540,845 |
| 6. | Tax on Gross Revenue - Reporting Year (8% of line 5) | 50,923,268 |
| 7. | Audit or Other Adjustments to Tax on Gross Revenues in Prior Years | 0 |
| 8. | Total Taxes on Gross Revenue (the sum of lines 6 and 7) | 50,923,268 |
| 9. | Total (Deposits) Made for Tax on Reporting Year's Gross Revenue | (50,923,268) |
| 10. | Settlement of Prior Years' Tax on Gross Revenue Resulting from Audit or Other Adjustments - (Deposits) Credits | 0 |
| 11. | Gross Revenue Taxes Payable (the net of lines 8, 9 and 10) | $ (0) |

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/10/05
**Date**

**Signature**

**Casino Controller**
**Title of Officer**